

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 8952
INFO AMEMBASSY BANGKOK

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FOR NAC AGENCIES

EO 11652:N/A
TAGS: EAID, EFIN, ADB
SUBJECT: TECHNICAL ASSISTANCE TO THAILAND FOR SOUTHERN
- REGION INDUSTRIAL ESTATE PROJECT

SUMMARY: ON JUNE 28, ADB PRESIDENT APPROVED DOLLARS
99,600 TECHNICAL ASSISTANCE (TA) GRANT TO THAILAND TO
DEVELOP THE SOUTHERN REGION INDUSTRIAL ESTATE PROJECT.
THE PROJECT TO BE FORMULATED UNDER THE TA IS EXPECTED TO
PLAY A KEY ROLE IN THE GOVERNMENT'S POLICY TO DEVELOP
INDUSTRIES IN THE LESS DEVELOPED REGIONS SO AS TO HELP
REDUCE INCOME DISPARITIES WITHIN THE COUNTRY. IN VIEW OF
THE SHORTAGE OF SENIOR AND EXPERIENCED STAFF IN THE
INDUSTRIAL ESTATE AUTHORITY OF THAILAND (IEAT), THE ADB
FEELS THAT TECHNICAL ASSISTANCE IS REQUIRED BEFORE THE
PROJECT CAN BE CONSIDERED BY THE BANK. END SUMMARY.

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1. THE INDUSTRIAL SECTOR IN THAILAND IS RELATIVELY WELL
DEVELOPED. DURING 1970-77, THE SECTOR GREW AT AN ANNUAL
GROWTH RATE OF ABOUT 10 PERCENT IN REAL TERMS, AND THE
SECTOR'S SHARE IN GDP INCREASED FROM 16.8 PERCENT TO
20.1 PERCENT. DURING THE SAME PERIOD, INDUSTRIAL EMPLOY-
MENT INCREASED FROM 6 PERCENT TO 16 PERCENT OF TOTAL
EMPLOYMENT IN THE COUNTRY. THE MAIN INDUSTRY IN

THAILAND IS MANUFACTURING OF FOOD.

2. INDUSTRIAL DEVELOPMENT HAS OCCURRED UNEVENLY AMONG THE COUNTRY'S FOUR MAIN REGIONS, NAMELY, THE CENTRAL, NORTHEAST, NORTHERN AND SOUTHERN REGIONS. DIFFERENCES IN INDUSTRIAL GROWTH RATES BETWEEN THE CENTRAL REGION (INCLUDING BANGKOK) AND THE THREE OUTLYING REGIONS HAVE WIDENED IN THE 1970S. WHILE THE CENTRAL REGION MAINTAINED GROWTH RATES OF ABOUT 11 PERCENT IN TERMS OF INDUSTRIAL VALUE ADDED, THE GROWTH RATES IN THE OTHER REGIONS DECLINED TO ABOUT 5-7 PERCENT DURING THE 1970S COMPARED WITH ABOUT 6-10 PERCENT DURING THE 1960S. ABOUT 83 PERCENT OF THE TOTAL INDUSTRIAL VALUE ADDED WAS GENERATED IN THE CENTRAL REGION, COMPARED WITH ONLY 5 TO 6.5 PERCENT IN EACH OF THE OTHER THREE REGIONS. THE INDUSTRIAL SECTOR ACCOUNTS FOR 26 PERCENT OF THE GROSS REGIONAL PRODUCT IN THE CENTRAL REGION, BUT FOR ONLY 7-8 PERCENT IN THE OTHER REGIONS. THIS DIFFERENCE IN ECONOMIC STRUCTURE HAS CONTRIBUTED TO THE WIDE REGIONAL VARIATION IN PER CAPITA GDP, WHICH IN 1977 WAS DOLLARS 631 FOR BANGKOK AND DOLLARS 303 FOR THE REST OF THE CENTRAL REGION, COMPARED WITH DOLLARS 208 FOR THE SOUTH, DOLLARS 123 FOR THE NORTH, AND ONLY DOLLARS 89 FOR THE NORTHEAST.

3. ALTHOUGH RELATIVELY SMALL AND SCATTERED -- ACCOUNTING FOR 8 PERCENT OF THE GROSS REGIONAL PRODUCT -- THE MANU-
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FACTURING SECTOR IN THE SOUTHERN REGION HAS STARTED TO EXPAND AND DIVERSIFY. MANUFACTURING OF FOOD AND BEVERAGES, RUBBER PRODUCTS AND NON-METALLIC MINERAL PRODUCTS, ALL OF WHICH ARE MAINLY LOCAL RESOURCE-BASED, CONSTITUTE THE MAIN INDUSTRIAL ACTIVITIES, AND GENERATE ABOUT 65 PERCENT OF THE TOTAL VALUE ADDED IN THE SECTOR. INDUSTRIES SUCH AS MANUFACTURE OF TRANSPORT EQUIPMENT WOOD PRODUCTS AND CHEMICALS HAVE EXPANDED AND ARE BEGIN-
NING TO SUBSTITUTE FOR PRODUCTS MANUFACTURED IN THE GREATER BANGKOK AREA.

4. THERE ARE INDICATIONS THAT THE PROPOSED SITE OF THE INDUSTRIAL ESTATE; THE HAADYAI/SONGKHLA AREA IN SONGKHLA PROVINCE, IS EVOLVING FROM A TRADITIONAL RUBBER GROWING AND FISHING AREA TO BECOME AN INDUSTRIAL CENTER OF THE SOUTHERN REGION. THE TOTAL NUMBER OF FACTORIES REGISTERED WITH THE MINISTRY OF INDUSTRY IN SONGKHLA PROVINCE INCREASED 40 PERCENT FROM 256 IN 1976 TO 360 IN 1977. WHILE MOST OF THE FACTORIES ARE SMALL IN SCALE, THEY ARE RELATIVELY DIVERSIFIED AND INCLUDE FACTORIES FOR MANUFACTURE OF METAL PRODUCTS AND METAL WORKING, WOOD PROCESSING, ICE MAKING AND COLD STORAGE, CERAMICS

AND RUBBER PROCESSING.

5. THE URBAN POPULATION IN THE HAADYAI/SONGKHLA AREA IS EXPECTED TO INCREASE FROM 100,000 AT PRESENT TO ABOUT 250,000 BY 1991. WITH ITS FAIRLY WELL DEVELOPED URBAN INFRASTRUCTURAL FACILITIES, AND EXPANDING URBAN POPULATION, CONDITIONS IN THE HAADYAI/SONGKHLA AREA ARE FAVORABLE FOR THE PROMOTION OF INDUSTRIAL ACTIVITIES.

6. THE PREPARATION OF THE PROPOSED PROJECT INVOLVES EXAMINATION OF A NUMBER OF ASPECTS RELATED TO: 1) ASSESSMENT OF THE POTENTIAL FOR INDUSTRIAL INVESTMENTS IN THE SOUTHERN REGION OF THAILAND; 2) IDENTIFICATION OF THE TYPE,

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NUMBERS AND CAPACITIES OF INDUSTRIES SUITABLE FOR DEVELOPMENT IN THE REGION; 3) ASSESSMENT OF PUBLIC UTILITIES SUCH AS ELECTRIC POWER SUPPLY AND WATER SUPPLY WHICH WOULD BE REQUIRED BY THE PROPOSED INDUSTRIAL ESTATE AND DETERMINATION OF THE MOST ECONOMIC ARRANGEMENTS TO MEET SUCH REQUIREMENTS; 4) DETERMINATION OF ORGANIZATION ARRANGEMENTS FOR THE EFFICIENT MANAGEMENT, ORGANIZATION, AND SUPERVISION OF CONSTRUCTION AND OPERATION OF THE PROPOSED INDUSTRIAL ESTATE; AND 5) ASSESSMENT OF SUITABILITY AND ADEQUACY OF EXISTING INSTITUTIONAL ARRANGEMENTS IN THE

REGION FOR PROMOTING THE DEVELOPMENT OF SMALL-SCALE INDUSTRIES.

7. THE TA WILL REQUIRE THE SERVICES OF A TEAM OF CONSULTANTS WHO HAVE EXPERIENCE IN THE FORMULATION AND PREPARATION OF INDUSTRIAL ESTATE PROJECTS IN DEVELOPING COUNTRIES.

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8. ALTOGETHER, ABOUT 10 MAN-MONTHS OF CONSULTANT SERVICES WILL BE REQUIRED TO ACHIEVE THE OBJECTIVES OF THE PROPOSED TECHNICAL ASSISTANCE. IT IS ENVISAGED THAT ABOUT 7 MAN-MONTHS WILL BE SPENT BY THE CONSULTANTS IN THE FIELD AND AND THE BALANCE OF 3 MAN-MONTHS WILL BE SPENT EITHER AT THE BANK'S HEADQUARTERS OR THE CONSULTANTS' HOME OFFICE FOR THE PREPARATION OF THEIR FINAL REPORT. ELIGIBLE CONSULTANTS HAVE ALREADY BEEN SELECTED AND WILL BE EMPLOYED BY BANK ACCORDING TO THE BANK'S GUIDELINES ON USES OF CONSULTANTS.

9. LOCAL CURRENCY COMPONENT OF THE TECHNICAL ASSISTANCE WILL INCLUDE SERVICES, FACILITIES BY COUNTERPART AND SUPPORTING STAFF, OFFICE ACCOMMODATION, DOMESTIC TRAVEL AND NECESSARY EQUIPMENT. THIS IS ESTIMATED TO COST THE EQUIVALENT OF DOLLARS 6,000, WHICH THE GOVERNMENT WILL MEET FROM ITS OWN RESOURCES.

10. THE BANK CONSIDERS IEAT TO BE A SUITABLE EXECUTING AGENCY FOR THE PROPOSED TECHNICAL ASSISTANCE. HOWEVER, FOR THE IMPLEMENTATION OF THE PROJECT WHICH MAY RESULT FROM THE PROPOSED TECHNICAL ASSISTANCE, THE ORGANIZATION OF IEAT MAY REQUIRE STRENGTHENING. EXAMINATION OF ORGANIZATIONAL ARRANGEMENTS FOR EFFICIENT MANAGEMENT, ORGANIZATION AND SUPERVISION OF FUTURE PROJECT IMPLEMENTATION, INCLUDING ASSESSMENT OF REQUIREMENTS OF CONSULTANTS AND TRAINING NEEDS OF LOCAL STAFF IS PROVIDED FOR IN THE TERMS OF REFERENCE OF THE CONSULTANTS.

11. TA WAS APPROVED BY PRESIDENT ACTING UNDER AUTHORITY DELEGATED UNDER PARAGRAPH 17 OF BOARD PAPER ON TECHNICAL ASSISTANCE OPERATIONS (DOC. R51-77) WHICH AUTHORIZES THE PRESIDENT TO APPROVE TAS UP TO DOLLARS 100,000, PROVIDED LIMITED OFFICIAL USE

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SUCH ASSISTANCE IS CONSISTENT WITH BANK'S TA POLICIES AND DOES NOT INVOLVE ANY UNUSUAL OBLIGATIONS FOR THE BANK AND

THE RECIPIENT, EDMOND

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